

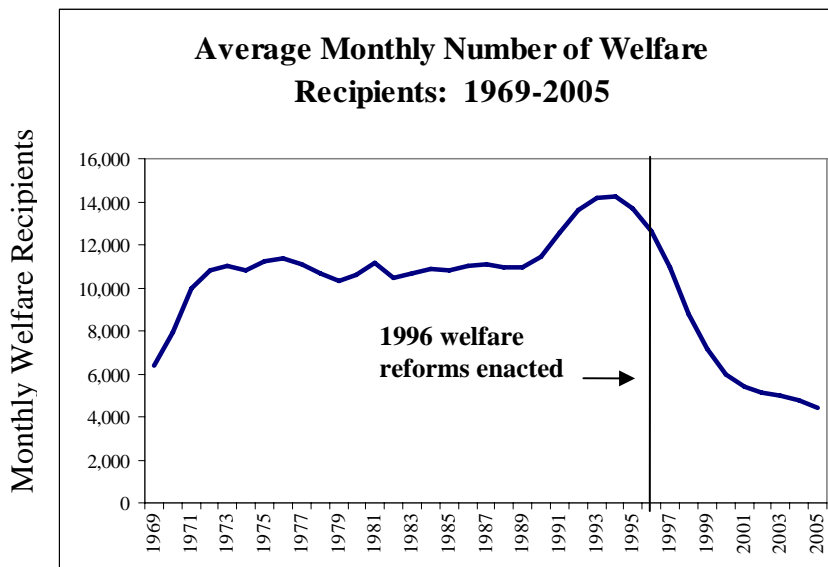
Committee on Ways and Means

Subcommittee on Human Resources Report

A Decade Since Welfare Reform: 1996 Welfare Reforms Reduce Welfare Dependence

Key Facts

- The 1996 welfare reform law was designed to “end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.” (*Source: Social Security Act, Section 401(a)(2), purposes of the Temporary Assistance for Needy Families program.*)
- The 1996 reforms achieved unprecedented results in reducing dependence.



- Since reforms were signed into law in August 1996, welfare caseloads have dropped by about 60 percent, as nearly eight million parents and children left the welfare rolls.

	<i>August 1996</i>	<i>June 2005</i>	<i>Change</i>
Welfare Families	4.4 million	1.9 million	57 percent decline
Welfare Recipients	12.2 million	4.5 million	64 percent decline

Source: Department of Health and Human Services news release
http://www.acf.hhs.gov/news/press/2006/welfare_rolls_decline_june_05.htm

Additional Background

Widespread and mounting frustration with the nation's cash welfare program led to growing calls for reform in the early 1990s.

This frustration was fueled by perceptions that instead of helping low-income families overcome barriers, welfare actually encouraged self-destructive behavior, including drug abuse, out-of-wedlock childbearing, dropping out of school, and avoiding work. In the years prior to the 1996 reforms, the growing trend of out-of-wedlock childbearing became increasingly associated with welfare receipt: welfare families were typically headed by never-married mothers, whose own children were three times more likely to be on welfare when they grew up than other children who were not raised on welfare. More than half of children on welfare were born outside marriage and three-fourths had an able-bodied parent who lived away from home.

Instead of promoting self-reliance, welfare benefits were widely believed to promote further dependence, and to be associated with the transmission of dependence to succeeding generations.

These factors were reflected in welfare caseload trends. After rising modestly in the 1980s, welfare caseloads soared in the early 1990s to all time record highs. By March 1994, 5.1 million families including 14.2 million parents and children were receiving benefits. One in eight children in America was a welfare recipient. Families on welfare spent an average of 13 years collecting welfare checks.

The 1996 welfare reform law (the "*Personal Responsibility and Work Opportunity Reconciliation Act of 1996*," P.L. 104-193) included numerous measures designed to reverse the epidemic of welfare dependence. These reforms included:

- (1) ending the individual entitlement to welfare checks (which previously ensured payment of benefits regardless of whether recipients were willing to work or train for them);
- (2) expecting a rising share of welfare recipients in each state to work or participate in education and training in exchange for welfare checks;
- (3) crediting states with successfully helping families leave or stay off welfare;
- (4) setting a five-year lifetime limit on receipt of federal welfare checks; and
- (5) creating a new fixed block grant program (called Temporary Assistance for Needy Families or TANF), which gave states record but fixed federal funds to provide for welfare needs, in place of the open-ended entitlement program, which rewarded states with additional federal funds whenever more families became dependent on welfare.

Looking back, it is easy to forget the vocal opposition of welfare reform opponents to these common-sense changes. Comparisons between Republicans and Attila the Hun were common; others simply predicted massive poverty and despair following enactment of the 1996 reforms. For example, former House Democratic Leader Richard Gephardt (D-MO) said the reforms "will throw millions of children out on the street without doing anything to move people from welfare to work."¹ Representative Jim McDermott (D-WA) said, "It will put 1 1/2 million to 2 1/2 million children into poverty. In about

¹ U.S. House of Representatives, floor debate, March 21, 1995.
Committee on Ways and Means
02/26/2006 12:03 p.m.

1998, you're going to start to see the impacts on cities, with more homeless families. They can't pay the rent. You will wind up with people living under bridges and in cardboard boxes."²

In contrast, by 1998 welfare caseloads had plunged more steeply than ever in U.S. history as more parents left or stayed off welfare in favor of work, and poverty continued to decline.

Faced with such obvious gains, opponents of reform tried arguing a strong economy, not reform, was primarily responsible. One national newspaper claimed, "Welfare reform has gone as well as it has so far because the economic boom of the 1990s created millions of jobs that former welfare recipients could take."³ But again the data tell a different story. First, the steep caseload declines that followed the 1996 reforms have no precedent in U.S. history, which includes numerous periods of rapid economic growth.⁴ For example, during the 1980s, as the U.S. economy was creating 20 million new jobs, welfare caseloads actually increased. Second, even as the economy struggled due to the 2001 recession, terrorist attacks and the stock market decline, welfare caseloads continued to drop, as more welfare recipients and low-income parents off of welfare worked than during the pre-reform era.⁵

Overall, the most recent data shows that compared to August 1996 when the welfare reform law was signed, the number of families on welfare has dropped 57 percent, and 1.4 million fewer children are now living in poverty. The results speak for themselves: the nation experienced a sharp and unprecedented decline in welfare dependence – and child poverty – following the 1996 reforms.

The next generation of welfare reforms included in the *Deficit Reduction Act of 2005* (P.L. 109-171) are designed to strengthen provisions in the 1996 reform law to reduce dependence even more. Work requirements – the heart of an effective pro-work reform program – are updated in keeping with the steep caseload declines following the 1996 reforms. So starting in 2007, at least 50 percent of current able-bodied parents on welfare will be expected to work or train in exchange for their checks. States will again be credited for success in helping more families leave or stay off welfare in favor of work. States are given increased resources, including \$1 billion in additional federal funding for child care, to support these efforts to engage more parents in work.

Given the results of such policies following the 1996 welfare reform law, it is reasonable to expect that the future will witness more parents working for welfare benefits. More importantly, more low-income parents should leave or stay off welfare in favor of work, a signal achievement of the 1996 welfare reform law.

² Seattle Post-Intelligencer, August 1, 1996.

³ E.J. Dionne, "From Welfare to Work to Now What?," *Washington Post*, November 30, 2001.

⁴ Various studies of the dramatic caseload decline have found that welfare reform policies played a larger role in the decline of welfare caseloads than the economy. For example, a 1999 report by President Clinton's Council of Economic Advisors estimated that about one-third of the 1996-1998 caseload drop was due to federal and state welfare policy changes, compared to no more than 10 percent of the caseload drop being due to the strong economy.

⁵ A March 22, 2004 New York Times article ("*Despite the Sluggish Economy, Welfare Rolls Actually Shrank*," March 22, 2004) highlights liberal analysts' ongoing confusion about continued caseload declines: "One of the great mysteries of social policy in the last few years is why welfare caseloads have stayed essentially flat or declined in much of the country, despite the economic downturn."